

Message Text

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DRAFTED BY: EA/PRCM:PTLINCOLN, JR:EBS

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FM SECSTATE WASHDC

TO AMCONSUL HONG KONG PRIORITY

AMEMBASSY MANILA

INFO AMEMBASSY TAIPEI

AMEMBASSY TOKYO

USLO PEKING

C O N F I D E N T I A L STATE 072731

LIMDIS

E.O. 11652: GDS

TAGS: ETRD, CH, US

SUBJECT: APCAC MANILA CONFERENCE--PRC ISSUES

REF: HONG KONG 3081

MANILA FOR GEBER.

1. DEPARTMENT HAS RECEIVED A COPY OF 11-TOPIC APCAC
AGENDA FOR THE APRIL 4-7 MEETING, OF WHICH THE FIRST THREE
ITEMS DEAL WITH THE PRC. (THESE ARE "HOW TO DO BUSINESS
WITH THE PRC," "MOST FAVORED NATION STATUS FOR THE PRC,"
AND "THE EXPANSION OF COMMERCIAL RELATIONS WITH THE PRC AND
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THE MAINTENANCE OF COMMERCIAL RELATIONS WITH THE REPUBLIC

OF CHINA.")

2. WE HAD HEARD THAT AMCHAM HONG KONG MIGHT PROPOSE A GENERAL RESOLUTION CALLING ON THE US TO EXTEND MFN TO THE PRC; PRESUMABLY THIS IS NOW SUBSUMED IN PROPOSAL CONTAINED IN REFTEL, PARA. 2(A). IN ADDITION TO THE TWO PROPOSALS MENTIONED IN THE REFTEL, WE UNDERSTAND THAT THE AMCHAM HONG KONG HAS BEEN CONSIDERING A RESOLUTION CALLING ON THE US TO ESTABLISH DIPLOMATIC RELATIONS WITH THE PRC.

3. IN GENERAL, WE FEEL THAT THE INTRODUCTION OF POTENTIALLY CONTROVERSIAL ISSUES INTO THE APCAC FORUM WOULD BE UNFORTUNATE, PARTICULARLY IN VIEW OF THE AMCHAMS' PAST RECORD OF COOPERATION TO ADVANCE US BUSINESS INTERESTS IN THE EA AREA. AMBASSADOR UNGER BELIEVES THAT THE ROC CHAMBER WOULD VEHEMENTLY OPPOSE A MOVE TO PUT APCAC ON RECORD AS FAVORING US' ESTABLISHMENT OF DIPLOMATIC RELATIONS WITH THE PRC, AND WOULD WITHDRAW FROM APCAC IF SUCH A MEASURE WERE ADOPTED. THE ATTITUDE OF THE OTHER AMCHAMS ON THIS ISSUE IS NOT CLEAR, BUT AT LEAST ONE (AUSTRALIA) MIGHT SUPPORT HONG KONG. DEPARTMENT DOES NOT BELIEVE THAT A CONCERTED USG EFFORT TO INFLUENCE THE OUTCOME OF APCAC DELIBERATIONS ON THESE PRC-RELATED ISSUES WOULD BE APPROPRIATE OR NECESSARILY HELPFUL. HOWEVER, IF LOCAL AMCHAMS BRING UP APCAC MEETING, ADDRESSEE POSTS MAY WISH TO POINT OUT THAT IT WOULD NOT APPEAR TO BE IN APCAC'S INTEREST TO GET INTO A DIVISIVE AND POSSIBLY ACRIMONIOUS DEBATE ON COMPLEX AND DELICATE POLITICAL QUESTIONS LIKE THE RECOGNITION ISSUE, PARTICULARLY SINCE ANY APCAC RESOLUTION WOULD HAVE LITTLE PRACTICAL EFFECT. DEPARTMENT'S COMMENTS ON THE TWO ISSUES MENTIONED IN THE REFTEL ARE CONTAINED IN PARAS. 4-5 BELOW; ALTHOUGH INFO SOMEWHAT SENSITIVE, POSTS CAN USE WITH DISCRETION IF LOCAL AMCHAMS INITIATE DISCUSSION.

4. MFN. SECTIONS 402 AND 409 OF THE TRADE ACT TECHNICALLY DO NOT "PRECLUDE" NEGOTIATING A TRADE AGREEMENT WITH THE PRC CONTAINING MFN. WE ASSUME, HOWEVER, THAT THE CONDITIONS PLACED ON MFN CONFERRAL BY THESE AND OTHER SECTIONS OF THE TRADE ACT WOULD BE DIFFICULT OR

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IMPOSSIBLE FOR PEKING TO ACCEPT. TO OUR KNOWLEDGE, PRC OFFICIALS HAVE NOT TAKEN A POSITION ON THE APPLICABILITY OF THE TRADE ACT TO THE PRC. ON BALANCE, WE DO NOT THINK AN APCAC RESOLUTION ON THIS ISSUE WILL EITHER HASTEN OR HINDER MFN EXTENSION, ALTHOUGH IT MIGHT BE OF SOME LIMITED UTILITY VIS-A-VIS CONGRESS. ON THE OTHER HAND, AN APCAC RESOLUTION WOULD BE UNHELPFUL IN THAT IT MIGHT GIVE PEKING THE UNWARRANTED IMPRESSION THAT MFN IS

OBTAINABLE WITH FEW OR NO CONCESSIONS. PARTLY FOR SOVIET REASONS, WE DO NOT THINK THAT THE UNCONDITIONAL APPROACH IS EITHER POSSIBLE OR DESIRABLE.

5. NON-GOVERNMENTAL TRADE AGREEMENT. NATIONAL COUNCIL FOR US-CHINA TRADE (NCUSCT) THINKING ON THIS IS JUST BEGINNING TO CRYSTALLIZE. WHILE NCUSCT HAS BEEN CONSIDERING SOME KIND OF AGREEMENT WITH CCPIT WHICH (IF THE CHINESE AGREE) WOULD ENCOMPASS SOME OF THE SPECIFIC SUBJECTS MENTIONED IN REFTEL PARA. 2(B), FOR THE MOMENT THEY ARE THINKING OF A MORE MODEST, GENERALIZED STATEMENT TO WHICH CCPIT AND NCUSCT COULD SUBSCRIBE AT THE CONCLUSION OF THE CCPIT VISIT TO THE US THIS FALL.

ACCORDINGLY, NCUSCT VICE PRESIDENT EUGENE THEROUX, WHO WILL BE ATTENDING THE MANILA MEETING, WILL URGE THAT APCAC LIMIT ITSELF TO A VERY GENERAL RESOLUTION; FOR EXAMPLE, ONE CALLING ON NCUSCT TO EXPLORE WITH THE CCPIT THE POSSIBILITY OF AN AGREEMENT CALLING FOR "FURTHER CONCRETE MEASURES FOR THE FACILITATION OF TRADE AND COMMERCIAL RELATIONS," OR SOMETHING SIMILAR. NCUSCT HAS BEEN IN TOUCH INFORMALLY WITH STATE AND NSC ON THE QUESTION OF A NON-GOVERNMENTAL TRADE AGREEMENT. WE HAVE SUGGESTED THAT, IN THE FIRST PLACE, COUNCIL OUGHT TO BE

CAUTIOUS ABOUT PUBLIC VETTING OF A COMPREHENSIVE PROPOSAL UNTIL THEY HAVE MADE SOME PRELIMINARY SOUNDINGS WHICH INDICATE PRC RECEPTIVITY; NCUSCT HAS APPARENTLY ACCEPTED THIS ADVICE. MORE GENERALLY, WE WOULD HAVE NO PROBLEMS WITH A GENERALIZED REITERATION OF PRINCIPLES BETWEEN CCPIT AND NCUSCT. HOWEVER, A HIGHLY SPECIFIC NCUSCT PROPOSAL WOULD RAISE SOME BASIC QUESTIONS FOR US AS TO HOW NEW INSTITUTIONS TO FACILITATE US-PRC TRADE SHOULD

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EVOLVE, AND THE PROPER ROLE AND DEGREE OF INVOLVEMENT OF NON-GOVERNMENTAL ENTITIES IN THIS PROCESS. WE HAVE ASKED THE NCUSCT TO STAY IN CLOSE TOUCH BEFORE PROCEEDING FURTHER WITH SPECIFIC PROPOSALS. IF THEROUX GETS TO PEKING, HE WILL RAISE A NUMBER OF MATTERS RELATING TO THE CCPIT TRIP, BUT IS EXPECTING FURTHER GUIDANCE FROM NCUSCT PRESIDENT PHILLIPS ON HOW TO HANDLE THE AGREEMENT QUESTION WITH THE CHINESE.

6. AFTER APCAC MEETING, THEROUX PLANS TO VISIT HONG KONG ENROUTE TO CANTON FAIR. HE ACCEPTS STARBIRD INVITATION TO ATTEND APRIL 8 SESSION; LETTER FOLLOWS.

7. DEPARTMENT WILL BE REPRESENTED AT APCAC MEETING BY ANTHONY GEBER, DIRECTOR OF EA'S OFFICE OF ECONOMIC

POLICY. KISSINGER

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